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# **CALVERT Gas & Oils Limited**

*Robert*

## ***Annual Report***

FOR THE YEAR ENDED  
DECEMBER 31, 1965



# CALVERT GAS & OILS LIMITED

*(Incorporated as a Public Company under the Laws of the Dominion of Canada)*

## CAPITALIZATION

	Authorized	Issued
Common Shares .....	5,000,000	3,625,000

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## OFFICERS and DIRECTORS

### OFFICERS

J. A. L. WHITE, Ph.D., P.Eng.....	President
J. C. EVANS, B.A.....	Vice-President
F. W. BOULGER, B.Comm.....	Secretary-Treasurer
F. G. ROMAN, B.Comm.....	Assistant Secretary-Treasurer

### DIRECTORS

F. W. BOULGER, B.Comm.....	Toronto, Ontario
J. G. CASTEL, S.J.D.....	Toronto, Ontario
J. C. EVANS, B.A.....	Toronto, Ontario
A. RATTEW, B.Sc., P.Eng.....	Ottawa, Ontario
F. G. ROMAN, B.Comm.....	Toronto, Ontario
R. RULE, B.Sc., P.Eng. ....	Toronto, Ontario
J. A. L. WHITE, Ph.D., P.Eng. ....	Toronto, Ontario

### TRANSFER AGENTS

Guaranty Trust Company of Canada

### ADMINISTRATIVE OFFICES

20th Floor, 4 King Street West, Toronto, Ontario





# CALVERT GAS & OILS LIMITED

20th FLOOR, 4 KING STREET WEST  
TORONTO 1, ONTARIO

## TO THE SHAREHOLDERS:

We submit herewith for your consideration the consolidated financial statements of your Company for the year ended 31 December, 1965. This period includes several months under the previous management, who previously imposed on Calvert Gas & Oils Limited and Bedford American Petroleum Corporation, both a bank loan and a mortgage. The present management had no control over this action or the subsequent employment of these funds. Most of the substantial legal fees shown were also incurred by the previous management or as a direct result of their action. Income from oil and gas operations will eventually pay off the indebtedness of both companies.

During the year the Company was party to negotiations for sale of gas to the Saskatchewan Power Corporation from the Hatton field in southeastern Alberta. A unitization plan has been effected and a contract signed. Your Company expects to receive a cash payment of about \$20,000 and a continuing royalty on production from the unit. Part of the cash payment would be used to partially repay the bank loan mentioned above.

Bedford American was successful in defending a legal action against it in Nebraska last year. However the same party has again filed suit. Efforts are currently under way to settle this action. Until this is done, it is most difficult to dispose of this company's scattered land holdings at a reasonable price.

Several progress reports were sent to shareholders during the year regarding your company's activities in Gaspé. The work done on the main claim group in Lemieux township can only be described as disappointing. Follow-up on previous work failed to establish continuity of mineralization and no new areas of interest developed on the south part of the property where work was concentrated.

The program for this summer will cover the north part of the property as well as the new 400 acre group in Lesseps township. The induced polarization survey on the latter group will be resumed as soon as weather permits, probably mid-May. We have succeeded in hiring a very well-regarded geologist for this summer who will be working on both properties.

There is at least one specific target area on the main property which will receive detailed examination early in the program. We expect that some of our work this summer will be done jointly with a major company.

The annual meeting of your company will be held 29 April, 1966. If you do not plan to attend, your directors would appreciate your support by means of returning the enclosed proxy as soon as possible.

On behalf of the board of directors,

J. A. L. WHITE,  
President.

**CALVERT GAS**  
(Incorporated as a Public Company Under the Laws of Ontario)  
and its wholly owned subsidiary  
**BEDFORD AMERICAN PETROLEUM CORPORATION**  
(Incorporated Under the Laws of the United States of America)

**CONSOLIDATED BALANCE SHEET**  
As at December 31, 1965

**ASSETS**

**CURRENT ASSETS**

Cash on hand and in banks		\$ 46,816.92	
Short term deposit receipt		35,490.57	
Accounts receivable — oil and gas sales	\$ 3,782.45		
— impounded funds (note 7)	8,107.27	11,889.72	
Prepaid expenses		310.00	\$ 94,507.21

INVESTMENTS — (at cost) (note 2) 15,424.12

**FIXED ASSETS (at cost)**

OIL PROPERTIES (note 3)	Cost	Accumulated Depletion and Depreciation	Net
Interests in productive leases	\$111,959.04	\$ 55,835.93	\$ 56,123.11
Development costs on productive leases	55,847.48	9,885.79	45,961.69
Lease equipment	66,778.90	38,697.05	28,081.85
Interests in undeveloped leases, reservations, etc.	37,857.33	—	37,857.33
	<u>\$272,442.75</u>	<u>\$104,418.77</u>	<u>\$168,023.98</u>

**MINING PROPERTIES (notes 8 and 9)**

Mining claims	\$ 47,033.00		
Development costs (as per attached statement)	143,893.72		
	<u>\$190,926.72</u>		
Option on mining claims	3,000.00		
Mining equipment and supplies	10,000.00		
Airstrip	1,000.00	204,926.72	372,950.70

**DEFERRED EXPENSES (note 4)**

Organization and reorganization expenses — unamortized balance	\$ 839.17	
Deferred loan cost — unamortized balance	738.80	1,577.97

**TOTAL ASSETS** \$484,460.00

**AUDITOR'S REPORT**

We have examined the accompanying Consolidated Balance Sheet as at December 31, 1965, of Calvert Gas Corporation and the related Interim Consolidated Statement of Operations for the year then ended, in accordance with generally accepted auditing standards and the instructions to the auditor of the Parent Company as we considered necessary in the circumstances, but did not include the examination of the records of Bedford American Petroleum Corporation for the year ended December 31, 1965 for Bedford American Petroleum Corporation together with its subsidiaries.

In our opinion, the accompanying Consolidated Financial Statements supplement the Interim Consolidated Statement of Operations drawn up so as to exhibit a true and correct view of the consolidated affairs of Calvert Gas Corporation for the year then ended, according to the best of our information, the explanations given to us, and the records of the subsidiary Company. We further report that in our opinion the accompanying Consolidated Statement of Operations is prepared on principles applied on a basis consistent with that of the preceding year.

Toronto, Ontario,  
April 6, 1966.



# OILS LIMITED

(the Laws of the Dominion of Canada)  
Incorporated Subsidiary  
OF  
PETROLEUM CORPORATION  
(the State of Oklahoma, U.S.A.)

FINANCIAL STATEMENT SHEET (Note 1)  
December 31, 1965

## LIABILITIES AND CAPITAL

### CURRENT LIABILITIES

Bank loan (secured) .....	\$ 31,073.24	
Accounts payable and accrued liabilities .....	19,489.28	
Mortgage note payable — bank (secured) (note 5) .....	10,207.18	\$ 60,769.70

RESERVE FOR FOREIGN EXCHANGE (Note 1) .....		6,796.66
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### CONTINGENT LIABILITY (Note 6)

### CAPITAL STOCK AND DEFICIT

#### CAPITAL STOCK

##### AUTHORIZED

5,000,000 shares of par value 5¢ each

##### ISSUED AND FULLY PAID

	Par Value	Premium	Total
3,225,000 shares at Jan. 1, 1965 ...	\$161,250.00	\$152,500.00	\$313,750.00
400,000 shares issued during the year for cash .....	20,000.00	100,000.00	120,000.00
<u>3,625,000</u>	<u>\$181,250.00</u>	<u>\$252,500.00</u>	<u>\$433,750.00</u>

CAPITAL SURPLUS .....	559,380.87	
DEFICIT (as per attached statement) .....	(576,237.23)	416,893.64

NOTE: The accompanying Notes to Consolidated Financial Statements form an integral part of these statements.

Approved on behalf of the Board of Directors:

J. G. CASTEL, Director.

J. C. EVANS, Director.

TOTAL LIABILITIES AND CAPITAL ..... \$484,460.00

## REPORT

1965 of Calvert Gas & Oils Limited and its wholly-owned subsidiary Bedford American  
year then ended, and have received all the information and explanations we required. Our  
gly included such tests of the accounting records and such other auditing procedures of the  
accounts of the Subsidiary Company. We were furnished with certified financial statements  
with the report thereon of Messrs. Elmer Fox & Company, Certified Public Accountants.  
by the notes appended thereto, which also form an integral part of this report, are properly  
& Oils Limited as at December 31, 1965 and the consolidated results of operations for the  
s shown by the books of the Parent Company and the certified Financial Statements of the  
Financial Statements have been prepared in conformity with generally accepted accounting

SOUPCOFF, STARKMAN, KRAFT & CO.,  
Chartered Accountants.

# CALVERT GAS & OILS LIMITED

## Statement of Deferred Development Expenditures on Mining Claims For the year ended December 31, 1965

### LEMIEUX TOWNSHIP

Diamond drilling .....	\$ 23,483.21	
Engineers and consultants .....	7,100.00	
Geophysical surveys .....	1,326.00	
Travelling expenses .....	814.37	
License, fees and taxes .....	640.00	
Line cutting .....	433.09	
Telephone and telegraph .....	237.30	
Assays .....	208.76	
	<u>\$ 34,242.73</u>	
Add: Deferred development expenditures — December 31, 1964 .....	108,082.39	\$142,325.12

### LESSEPS AND LEMIEUX TOWNSHIP

Line cutting .....	1,568.60	
DEFERRED DEVELOPMENT EXPENDITURES — DECEMBER 31, 1965 .....		<u>\$143,893.72</u>

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## CALVERT GAS & OILS LIMITED and its wholly owned Subsidiary BEDFORD AMERICAN PETROLEUM CORPORATION

## Consolidated Statement of Deficit For the year ended December 31, 1965

CONSOLIDATED DEFICIT — January 1, 1965 .....	\$530,074.95
Add: Net loss for the year ended December 31, 1965 (per attached statement) .....	46,162.28
CONSOLIDATED DEFICIT — December 31, 1965 .....	<u>\$576,237.23</u>



**CALVERT GAS & OILS LIMITED**  
and its wholly owned Subsidiary  
**BEDFORD AMERICAN PETROLEUM CORPORATION**

Consolidated Statement of Operations (Note 1)  
For the year ended December 31, 1965

OPERATING REVENUE

Gross oil and gas sales .....	\$ 36,355.18
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OPERATING AND GENERAL ADMINISTRATIVE EXPENSES

Production and operating expenses .....	\$ 9,150.05	
Transfer agents' fees and expenses .....	3,078.42	
Legal fees .....	20,785.41	
Directors' management fees re U.S. oil operations .....	1,400.00	
Rent .....	250.00	
Engineering fees and expenses .....	222.26	
Audit fees .....	4,045.89	
Telephone and telegraph .....	1,488.98	
General and office expenses .....	763.44	
Directors' fees .....	2,100.00	
Licenses, fees and taxes .....	294.25	
Listing and filing fees .....	558.61	
Travelling expenses .....	1,367.84	
Interest expenses .....	2,985.28	
Publicity and shareholders information .....	2,043.68	

\$ 50,534.11

Less: Interest income .....	490.57	50,043.54
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NET OPERATING LOSS BEFORE PROVISION FOR UNDERMENTIONED ITEMS .....	\$(13,688.36)
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Depletion (Note 3) .....	\$ 9,708.01	
Depreciation (Note 3) .....	5,335.13	
Amortization of Development Costs (Note 3) .....	1,205.73	
Amortization of Organization Costs (Note 4) .....	559.44	
Amortization of Deferred Loan Cost (Note 4) .....	738.86	(17,547.17)

NET LOSS FROM OPERATIONS .....	\$(31,235.53)
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OTHER EXPENSES AND INCOME

Loss on abandonment of certain oil properties .....	\$(17,601.57)	
Less: Gain on sale of certain oil properties .....	2,674.82	(14,926.75)

NET LOSS FOR YEAR .....	\$(46,162.28)
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**CALVERT GAS & OILS LIMITED**  
and its wholly owned Subsidiary  
**BEDFORD AMERICAN PETROLEUM CORPORATION**

**Notes to Consolidated Financial Statements**  
**As at December 31, 1965**

- NOTE 1: For purposes of consolidation U.S.A. accounts have been converted to Canadian Funds at Par and foreign exchange adjustments resulting from inter-company advances have been credited to Reserve for Foreign Exchange.
- NOTE 2: INVESTMENTS  
Investments owned by the U.S. Subsidiary consist of U.S. Treasury 3½% bonds due May 15, 1968 with a par value of \$16,000.00 and are shown on the balance sheet at cost. These bonds were purchased as collateral for the posting of an indemnity bond with Indiana Oil Purchasing Company. The bonds are presently in the possession of the bonding company. See Note 6.
- NOTE 3: Interests in Producing Leases, Development Costs, Equipment, etc. are carried at cost less accumulated Depletion, Amortization and Depreciation. Depletion of cost of producing properties and amortization of well development costs of producing wells, in both the parent and subsidiary companies are being provided for on the unit-of-production basis which will write off the cost of the properties over their estimated geological life and write off the well development costs over the estimated geological life of the wells. Depreciation of Production equipment is being provided for in the parent company on the unit-of-production basis which will write off the production equipment over the estimated geological life of the wells. Depreciation of Production equipment is being provided for in the subsidiary company on the straight-line method applied to cost less estimated salvage value of such equipment at a rate of 10%.  
Expenditures for maintenance and repairs are charged to operations. Expenditures for replacements, renewals and betterments, which materially increase the life of the assets, are capitalized.  
Upon retirement or disposal of property assets, the cost of the properties retired or disposed of and the related accumulated Depletion, Amortization and Depreciation are removed from the respective accounts; net profits or losses resulting therefrom are credited or charged to income. Drilling expenses which result in dry holes are being written off to operations.  
Interests in Undeveloped Leases, Reservations, etc. are valued at cost. Lease rentals and miscellaneous costs are being charged to the cost of the respective undeveloped properties.  
No provision is being made for depletion of the cost of undeveloped properties and amortization of development costs thereon.  
On abandonment of undeveloped properties, their cost, together with accumulated development expenses, are written off to operations.
- NOTE 4: The organization and reorganization expenses are being amortized on a straight-line basis over a period of five years. The deferred loan cost is being amortized over the term of the mortgage note payable to the bank.
- NOTE 5: MORTGAGE NOTE PAYABLE — BANK  
On January 26, 1965 the U.S. Subsidiary negotiated a loan in the amount of \$20,000.00 with the First National Bank and Trust Company, Tulsa, Oklahoma, secured by a mortgage on certain of the U.S. oil and gas properties. This note bears interest at 6% per annum and is due in 20 monthly installments of 75% of the oil income from the pledged properties with a minimum payment of \$1,000.00.
- NOTE 6: CONTINGENT LIABILITY  
The operator of certain U.S. leases has filed liens aggregating \$11,738.74 against certain oil and gas leasehold interests in Kimball County, Nebraska. According to Bedford American's counsel, Bedford American's liability cannot be determined at this time because the operator has not submitted verified records concerning the liens. No provision therefore is made in the accounts for this contingency.
- NOTE 7: IMPOUNDED FUNDS  
This represents oil and gas sales from certain leases owned by the U.S. subsidiary from which the pipeline companies have withheld payment due to operator filing liens as reported in Note 6 above.
- NOTE 8: On February 18, 1964 the company entered into an agreement for the acquisition of 19 unpatented mining claims in Lemieux Township, Province of Quebec, together with equipment, supplies facilities, etc. for \$21,000.00 and 225,000 shares of the company's capital stock, and received by assignment, an option to acquire an additional 35 unpatented mining claims for \$6,000.00 and 75,000 shares of the company's capital stock. During 1964 and 1965 the company made option payments totalling \$3,000.00. A further payment of \$3,000.00 is due on July 1, 1966. During the year the company staked 10 claims in Lesseps and Lemieux Township, Province of Quebec, at a cost of \$500.00.
- NOTE 9: No depreciation has been taken on mining equipment and supplies or on the Airstrip. All expenditures on the mining claims are being deferred.
- NOTE 10: Pursuant to an agreement dated June 1, 1965, as amended, John Gardon & Co. Limited (the underwriter) purchased 200,000 shares of the capital stock of the company at 30¢ per share. In consideration of the foregoing the Company granted to the underwriter options to purchase 800,000 shares of the company's capital stock.  
Up to December 31, 1965 the underwriter exercised options on 200,000 shares at 30¢ per share. The next option exercisable by March 21, 1966 was not exercised and the underwriting agreement was then terminated.





